

STATE OF SOUTH CAROLINA

(Caption of Case)

Request for Approval of Change in Methology by  
which Piedmont Natural Gas Company, Inc.  
Calculates and Records LAUF Adjustments to its  
Gas Costs.

BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA

COVER SHEET

DOCKET 2009 435  
NUMBER: 2001 - - G

(Please type or print)

Submitted by: Scott M. Tyler

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

- ☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously
- ☐ Other:

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input checked="" type="checkbox"/> Letter	<input checked="" type="checkbox"/> Request
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest	
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report	

October 15, 2009

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**VIA ELECTRONIC FILING**

Mr. Charles Terreni  
Chief Clerk Administrator  
The Public Service Commission of South Carolina  
Synergy Business Park  
101 Executive Center Drive  
Columbia, South Carolina 29210

**Moore & Van Allen PLLC**

Suite 4700  
100 North Tryon Street  
Charlotte, NC 28202-4003

Also Admitted in SC

Re: Piedmont Natural Gas Company, Inc., Docket No. 2009-\_\_\_\_-G

Dear Mr. Terreni:

The purpose of this letter is to advise the Commission of a pending change in the methodology by which Piedmont calculates and records lost and unaccounted for adjustments to its gas costs and to request approval by the Commission of such change in methodology.

Historically, one component of the rates approved by this Commission in rate cases for Piedmont is an amount meant to compensate the company for gas either used or lost during operations, commonly referred to as "lost and unaccounted for" gas or simply LAUF. This rate component, which is very small, is paid by both Piedmont's transportation and sales customers in recognition of the fact that LAUF quantities are either lost or consumed in the delivery of gas through Piedmont's system to its customers.

Piedmont's current practice is to include LAUF quantities in its monthly gas cost deferred account reports and then to make an annual true-up calculation every Fall. The methodology currently utilized by Piedmont to calculate the annual LAUF true-up adjustment is to compare the aggregate LAUF adjustments contained in the prior year's monthly gas cost deferred account reports to the LAUF quantities approved in Piedmont's last general rate proceeding. This methodology has the effect of "trueing-up" Piedmont's LAUF adjustments to its rate case LAUF quantities but it does not result in an accurate calculation of the actual LAUF quantities experienced by Piedmont during the prior 12 months. Inasmuch as the actual LAUF quantities for any given year could be greater or smaller than the "trued-up" annual quantities derived from Piedmont's historic process, the probability exists that customers are paying either too little or too much for LAUF quantities during any given period.

Recently, Piedmont has reached the conclusion that this method of calculating annual LAUF quantities is not optimal and may result in Piedmont recovering an inappropriate level of costs associated with LAUF gas. Further, Piedmont has concluded that a more accurate methodology exists that can and should be used to calculate Piedmont's annual LAUF quantities. That more accurate methodology is to compare the actual quantities of gas purchased by Piedmont to the actual quantities of gas sold to Piedmont's customers. By making this comparison, Piedmont can determine exactly the amount of LAUF quantities it has experienced during any given period.

Applying this methodology to Piedmont's gas cost deferred account on a monthly basis results in a more accurate LAUF adjustment and also eliminates the need for an annual LAUF true-up because the quantities calculated in its monthly reports reflect its actual LAUF experience.

Based on the foregoing, Piedmont proposes to adjust its historical accounting practice for calculating LAUF quantities in two ways. First, it proposes to utilize the comparison between actual sales of gas and actual purchases of gas in each gas flow month to determine LAUF quantities in its monthly gas cost deferred account reports. Second, it proposes to eliminate the annual LAUF true-up adjustment it has historically made to its gas cost deferred account as no longer necessary in view of the first proposed change. Piedmont requests approval of these changes to its accounting practices for LAUF quantities as soon as reasonably possible in order to ensure that its calculation of LAUF quantities, and the corresponding obligation of its customers to compensate Piedmont for those quantities, is as accurate as possible.

Thank you for your assistance with this matter. If you have any questions regarding this matter, you may reach me at the number shown above.

Sincerely,

Moore & Van Allen, PLLC

s/ Scott M. Tyler  
Scott M. Tyler

Enclosures

c: Office of Regulatory Staff (5 copies)  
Mr. David Carpenter  
Ms. Pia Powers  
Mr. Jim Jeffries